PLAN 2000

A framework for returning the Tree Fruit Industry to efficiency and profitability.

OKANAGAN VALLEY
TREE FRUIT AUTHORITY

A British Columbia
Crown Corporation

PLAN 2000

A framework for returning the Tree Fruit Industry to efficiency and profitability

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OKANAGAN VALLEY
TREE FRUIT AUTHORITY

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A Fresh Initiative

The year 1990 marks a turning point for the tree fruit industry in the Okanagan, Similkameen, and Kootenay regions of British Columbia. On May 31, the *Report of the Commission of Inquiry—British Columbia Tree Fruit Industry*, prepared by Commissioner Peter Lusztig, was released. The report documented a growing financial crisis in the tree fruit industry and proposed a variety of solutions.

After carefully considering the report and taking account of industry and public response to its recommendations, the Government of British Columbia has moved to address the problems faced by the industry by creating the Okanagan Valley Tree Fruit Authority, a crown corporation, the terms of reference and purpose of which are described in this document.

We are pleased to release this corporate plan outlining the direction we propose to follow to fulfill this mandate. We are confident that our strategy will enable tree fruit growers and processors to renew and revitalize their industry and face the challenges of a competitive marketplace. We undertake to make every possible effort to see that the goals we have set for the Okanagan Valley Tree Fruit Authority are met.

Robert Dawson, Chairman
Okanagan Valley Tree Fruit Authority
Board of Directors

Introduction

This document presents a framework for the revitalization of the British Columbia tree fruit industry to the year 2000.

It examines the current situation and describes the legislative purpose of the Okanagan Valley Tree Fruit Authority, its corporate vision, its mission, and its strategic priorities.

This document takes into account considerations brought forward by the Commission of Inquiry, by industry, and by government, and it identifies strategic priorities and actions that should be adopted to improve industry growth and development over the next decade.

The Current Situation

The following is a summary of the findings of the *Report of the Commission of Inquiry—British Columbia Tree Fruit Industry*, prepared by Commissioner Peter Lusztig, May, 1990, and of the industry's response.

The Grower and the Tree Fruit Industry

- A strong, dynamic, and competitive tree fruit industry is vital to the quality of life and economic well-being of the Okanagan region. Tree fruits have been the largest single agricultural product of the Okanagan region for more than 50 years and provide significant economic benefits in terms of consumer spending, jobs, and regional income. The industry in the Okanagan, Similkameen, and Kootenay regions directly employs approximately 4800 persons on farms and 2500 persons in packing houses and the supply industries. This represents 7% of the total labour force of these regions. An additional 1000 persons work in valley orchards during harvest.

- Apples represent three-quarters of the tree fruit tonnage produced in the province. In 1989, the Okanagan region produced approximately 436 million pounds of apples or 99% of the British Columbia apple crop and well over one-third of the Canadian apple crop. Soft fruits, although accounting for a much smaller percentage of overall production, represent a valuable part of the industry, both in terms of present revenue and future potential.

- An increasing proportion of the productive land base is in the hands of aging growers. There is a lack of new entrants willing to pay market prices for land, especially given the financial difficulties in the tree fruit industry.

- Increasing urban expansion in the Okanagan region will intensify resource and land-use conflicts. The need for long-term solutions to problems such as water management and waste disposal is becoming critical.

Tree Fruit Markets

- Approximately 20% of British Columbia's tree fruit production goes to export markets. This reliance on export to markets outside Canada poses challenges for the British Columbia tree fruit industry. Our position in world markets is extremely vulnerable to changes in exchange rates, "protectionist" trade practices, high interest rates, rising international transportation costs, and fluctuating world prices. As well, new capacity in developing countries has increased global competition.

- Multilateral and bilateral trade agreements entered into by the Government of Canada, notably the General Agreement on Tariffs and Trade (GATT) and the Canada-U.S. Trade Agreement (CUSTA), will intensify the need for market awareness, flexibility, and rapid implementation of new technological capabilities. Rapid evolution and transfer of new knowledge is becoming increasingly important in maintaining and expanding tree fruit sales in both domestic and export markets.

- The Canadian market for tree fruit is becoming increasingly competitive, and imported apples are taking a larger share of the market. In the years 1978-1982, imported apples supplied, on average, 34% of the Canadian market for dessert apples, while in the years 1983-1987, they supplied, on average, 41% of that market.

- Generally, world tree fruit prices are declining in real terms, and this is expected to continue into the foreseeable future. The global markets for tree fruit are becoming increasingly competitive. To be viable, the industry must be able to reduce its costs or increase revenues by moving to varieties offering a better return—those that are high-yielding and in greater demand among consumers.

- Compared with the product marketed by our major competitors (Washington State, New Zealand, and the European Economic Community), British Columbia tree fruits are currently disadvantaged in terms of varieties, grade, yield per acre, and consistency of supply.

- Presently, conditions indicate a need to coordinate market intelligence and research so that British Columbia growers can have access to better information on prices, world-wide and domestic plantings by variety, and consumer preferences.

- Obtaining access to specialized markets requires superior skills in production, marketing, and financial management. It also requires capital, research, and new technologies, as well as constant innovation.

- The current situation indicates an industry need to better integrate market promotion, market intelligence and analysis, research and development, quality assurance standards, and grower education and advisory services.

- The industry's promotional programs are not as effective as those of its major competitors; however, promotional programs will only be effective in obtaining an improved share of profitable market segments if new and/or better tree fruits are produced.

Orchard Conditions

- Many existing blocks of trees are older, low-value varieties with poor productivity (it is estimated that there are up to 20 000 acres to be renovated). The normal replant rate should be 5-10% per year, but because of a backlog, the replanting rate will have to be greater to catch up. Growers have been reluctant to undertake new, high-density plantings and slow to adopt new technology due to financial constraints. Growers wishing to renovate to high density plantings face substantial financial outlays.

- Transitional funding is not available to maintain grower viability during the nonproductive period of any significant replant and renovation effort.

- Developing nursery stock takes 2-3 years. There is limited nursery material to replant in 1991 and 1992. Nursery stock won't be grown without a strong market demand signal and, at best, won't match potential demand for 3-4 years.

- Many growers are uncertain of what actions they should take, because they lack confidence in the industry's future. Some growers state that there is an attitude of malaise in their industry.

Financial Assistance Programs

- Farm Income Insurance (FII) has consistently fallen short of grower expectations and has been cited as not promoting the viability and competitiveness of the tree fruit industry. The government has responded to these perceived shortfalls with a variety of *ad hoc* assistance programs.

- A number of government financial programs currently exist. The Agricultural Land Development Assistance program (ALDA) and the Agri-food Regional Development Subsidiary Agreement (ARDSA), which provide low-interest loans and capital grants respectively, were established to help the province's agricultural industries become more viable and competitive. These two programs have provided financial assistance for orchard replanting. The National Tripartite Stabilization (NTS) is a federal-provincial-grower partnership designed to provide a degree of price support to growers.

- The Crop Insurance Program provides protection against weather-related income losses, but is not perceived as meeting grower needs. High losses, and resulting high premiums, are cause for concern.

Education and Advisory Services

- The Commission recognized the importance of extension and education programs in fostering a more self-reliant, competitive industry.

- The B.C. Ministry of Agriculture and Fisheries provides a horticulture and farm management program to serve the tree fruit industry.

- A number of packing houses have field staff who advise growers on production problems and conduct workshops and seminars.

- Management training courses for growers have been held in the past. Currently, a federal/provincial initiative is supporting the delivery of courses in farm accounting and financial management.

- The B.C. Fruit Growers Association sponsors an annual horticultural forum for the industry.

The Processors and Packing Houses

- Some British Columbia processors state that they often face difficulties in obtaining reliable supplies of fruit at a competitive price and of adequate quality, thereby reducing their ability to compete. Packing houses always receive a quantity of low-quality fruit that is difficult to market as fresh product.

- The marketing efforts of the packing and processing sectors are not effectively integrated with the marketing efforts of the tree fruit industry as a whole.

- Improvements in post-harvest technology and marketing have occurred within this sector in recent years. The Commission of Inquiry reported, however, that further improvements are required.

Research and Development

- The Commission reported that increased research and development is important in helping the tree fruit industry become more viable and competitive. Ongoing work includes
  - Agriculture Canada's plant breeding and other research programs at the Research Station in Summerland
  - the B.C. Fruit Growers Association's test orchard near Oliver
  - federal-provincial initiatives to expose industry to opportunities and technologies available elsewhere in the world (e.g., study of work undertaken by the Fruit Industry Plant Improvement Agency in New Zealand).

Information Status

- The Commission provided an overview of the industry and the broad principles of program design, but did not provide detailed data and information. A review of other information sources confirms that detailed data and information is not available or [illegible]ot in a form that makes it readily useable. Detailed data and information is required in the following areas:
  - soil and climate capability— this data is available but not in a format that provides efficient assessment of the land resource
  - site-specific climatic risk
  - orchard status in terms of tree number, age and density by variety, and acreage
  - detailed financial information on growers and processors
  - education resources available and the specific educational requirements of growers
  - grower age, size of operation, and length of ownership.

The Okanagan Valley Tree Fruit Authority

The Authority's purpose, powers, capacity, accountability, and sphere of operations are set out in the *Okanagan Valley Tree Fruit Authority Act* (Bill 75—1990).

Purpose of the Corporation

The purpose of the corporation is to ensure an efficient and co-ordinated approach to the revitalization and transformation of the Interior tree fruit industry to ensure a strong, dynamic, and competitive tree fruit industry. In addition, it is also the purpose of the corporation

- to assist in the rehabilitation and improvement of orchard land and orchards
- to develop and operate programs to improve productivity of the tree fruit industry and the marketability of tree fruit
- to commission applied research into production and marketing
- to provide for the training of growers and farm workers
- to assist growers, packing houses, processors, and marketing enterprises by providing advice and assistance.

Powers and Capacity

The corporation is an agent of the Crown and may .

- enter into agreements with the Government of Canada, the government of a province, or another government
- borrow money from the government and issue notes, bonds, debentures, and other securities
- acquire, hold, maintain, and dispose of land in the Interior
- provide financial assistance by way of grant, loan, guarantee or otherwise to growers.

Legislative Term

The Lieutenant-Governor-in-Council shall review the mandate and accomplishments of the Authority before December 3, 1995, and the Act is repealed on December 31, 2000.

Accountability

The corporation is responsible to the Lieutenant-Governor-in-Council through the Minister of Agriculture and Fisheries.

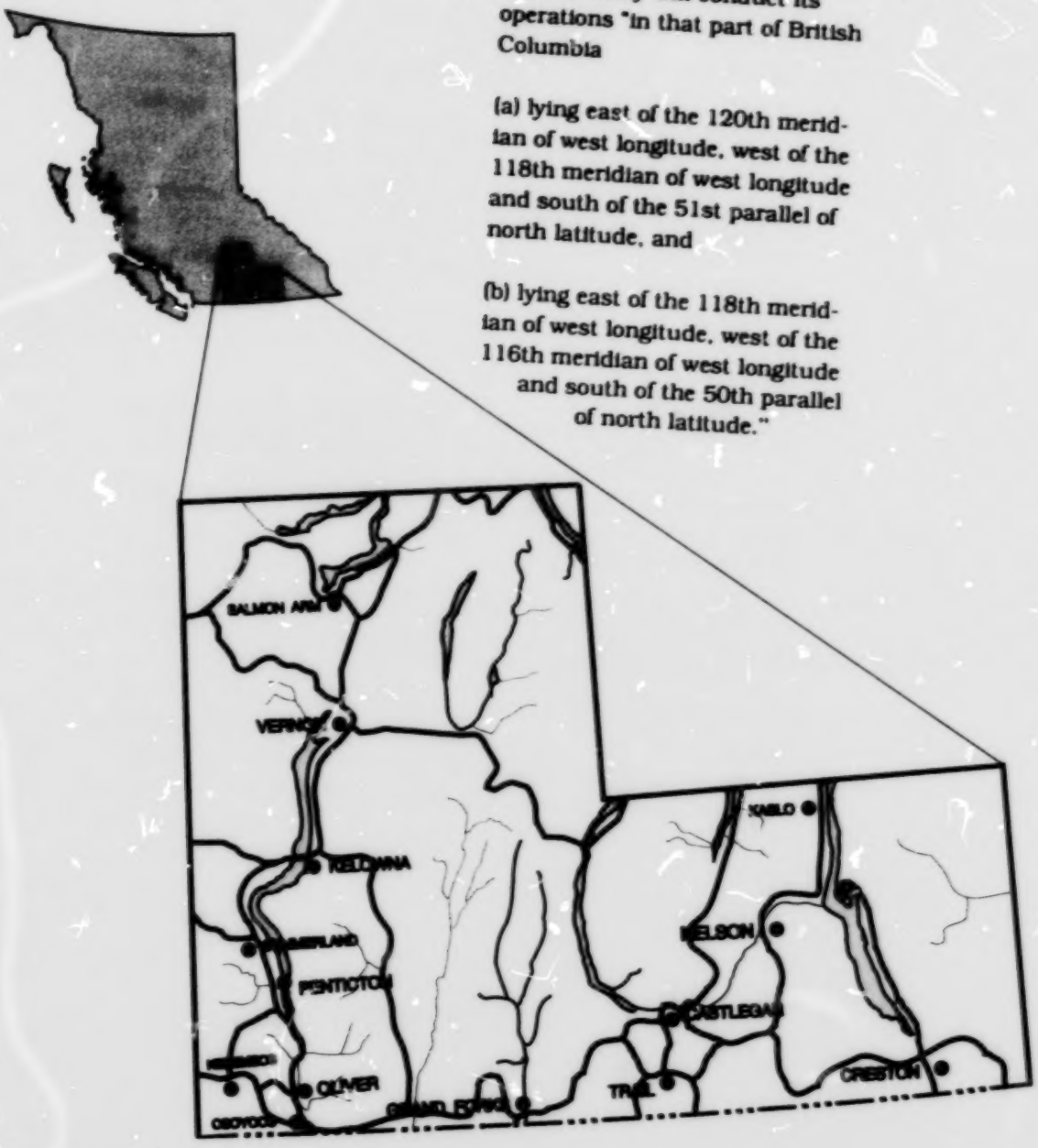
The Minister of Finance and Corporate Relations is the fiscal agent of the corporation. The corporation obtains operational authority and funding through approval of its business plans by the Treasury Board of the Government of British Columbia.

Sphere of Operations

Under the terms of the *Okanagan Valley Tree Fruit Authority Act*, the Authority will conduct its operations "in that part of British Columbia

(a) lying east of the 120th meridian of west longitude, west of the 118th meridian of west longitude and south of the 51st parallel of north latitude, and

(b) lying east of the 118th meridian of west longitude, west of the 116th meridian of west longitude and south of the 50th parallel of north latitude."



Corporate Vision

The British Columbia tree fruit industry will be family based, making the best use of its land and resources to produce high-quality products. It will be market responsive, both in growing and processing. Growers will be motivated and equipped to meet the challenges of a rapidly changing marketplace.

The industry will

- remain a significant contributor to the economy and quality of life in the Interior of British Columbia
- be self-reliant
- be restructured and its products competitively positioned in domestic and export markets
- make use of worldwide intelligence and market research to deliver the right products to accurately targeted markets
- make less use of pesticides, through the adoption of additional integrated pest management techniques
- be in the hands of younger growers and enjoy greater input and involvement from business and community leaders
- have a favourable debt/equity ratio.

Mission

The mission of the Okanagan Valley Tree Fruit Authority is

> **to enable and encourage fruit growers to renovate their industry to renewed efficiency and profitability.**

Objectives

In exercising the powers conferred upon the Authority to carry out this corporate mission, the corporation intends to pursue the following objectives. The Board of Directors, and staff will at all times seek to

- encourage the industry to be self-reliant
- encourage the industry to be responsive to market conditions
- encourage the industry to maintain high standards of product quality
- encourage effective transfer of state-of-the-art technologies and up-to-date information to the industry
- foster confidence and the desire for success within the industry
- ensure that programs involving the Authority or opportunities created by the Authority are readily available to the industry on a fair and equitable basis
- facilitate the entry of younger growers into the industry, thus providing aging growers with a market for the sale of their operations
- increase public awareness of the cultural and economic importance of the British Columbia tree fruit industry
- encourage grower and processor participation in programs of the Authority and maintain dialogue with these groups
- assist the industry in managing change.

Operating Principles

The Authority's mission and objectives reflect our commitment to four basic operating principles on which the corporation's endeavour is premised:

Accomplishment of the mission requires the application of proven business management methods.
The Okanagan Valley Tree Fruit Authority must apply effective business management principles to establish itself as a credible partner in the tree fruit industry. Innovative management, prudent financial administration, and cost-effective investment strategies are essential components of our business approach.

Co-operation with government agencies is essential.
In developing or implementing any new program, the Authority will ensure that its efforts are co-ordinated with those of government agencies, in order to minimize service overlap and maximize effective use of resources.

Effective communication is central to the achievement of the Authority's objectives.
Maintaining a dialogue with growers and processors will promote the co-operation of all parties and is a prerequisite to industry revitalization. The Authority will also communicate its activities to the public.

A respect for social and environmental considerations will help ensure the future sustainability of the Interior tree fruit industry.
Given the long-term commitment required of growers in the tree fruit industry, immediate economic considerations alone cannot determine the Authority's approach to revitalizing the industry. A self-reliant tree fruit industry in British Columbia's Interior contributes to social stability and continuity. At the same time, agricultural practices that contribute to a healthy environment protect the existing quality of life in the region and help assure the sustainability of the tree fruit industry.

Strategic Priorities

On the basis of our stated objectives and operating principles, the following strategic priorities have been identified. The Authority will carry out consultation and will develop programs to implement these priorities:

Orchard Renovation

The Authority places a high priority on the renovation of orchards. Without a major renovation program, the industry will not survive. Continued low profitability will cause growers to abandon the industry, which will place increased pressure on the Agricultural Land Reserve (ALR).

Renovated orchards producing high-quality, market-targeted fruit of profitable varieties will create changes that enable the industry to meet the challenges of a global marketplace.

Transitional Renovation Financing

Growers involved in orchard renovation programs will experience a revenue shortfall during the transition period. To offset this shortfall, assistance can be provided by redesigning current government income assistance programs.

Education and Advisory Services

Education and advisory services are essential to industry revitalization and an important component of orchard renovation. The Authority will emphasize the co-ordination of programs to maximize benefits to growers.

Industry Development

The Authority will assist in the creation of an industry development and management plan that emphasizes marketing, industry structure, and value-added strategies.

Land Management

In fulfilling its mandate, the Authority may acquire, hold, and dispose of land. The Authority recognizes, however, the importance of not interfering in the real estate market. Accordingly, the Authority will prepare policy position papers for discussion with industry prior to developing a responsible program to address this priority.

Industry Marketing Strategy

An effective marketing strategy will be a priority for the industry in its development planning. Both strategic and tactical marketing considerations will be addressed. Of particular importance in this regard will be the gathering of global market intelligence that will be used to guide the renovation strategy, identify product niches, and stimulate demand for British Columbia tree fruit products.

Communications and Community Relations

The Authority will communicate information on its priorities, programs, and initiatives and will disseminate marketing and horticultural information to growers.

Environmental Protection and Enhancement

The Authority will support and/or undertake initiatives to protect and enhance the physical environment of the Okanagan, Similkameen, and Kootenay regions. The Authority will also encourage the use of environmentally sensitive processing and packaging.

New Grower Entry

The entry of new growers is of great importance to the successful revitalization of the tree fruit industry. Initiatives undertaken or supported by the Authority will, wherever possible, be structured to promote new grower entry.

Actions

The Commission of Inquiry has described the current situation in the tree fruit industry and has provided recommendations for revitalization. The Okanagan Valley Tree Fruit Authority has been established to ensure an efficient and co-ordinated approach to this revitalization. The Authority has developed nine strategic priorities that form the basis for the programs that are to be developed. Key factors to ensure the success of these programs are consultation with all sectors of the industry and the use of accurate and complete information and data.

A strong data base is critical for the Authority to determine its current situation and to set targets to measure the performance of Authority programs. Because much of the required data does not exist, a concentrated effort will be made to gather this data by March 31, 1991. This data is essential for the design of industry programs and the setting of benchmarks to measure the success of the Authority's initiatives.

Consultation

The Authority recognizes that industry input and commitment to revitalization plans and programs are essential elements for success. Consequently, the Authority will establish a number of industry committees to receive input from industry and provide advice on policy options. Discussion papers will be prepared to fully inform all sectors of the industry of proposed plans and programs and obtain industry acceptance and commitment.

Data Assembly

Information that currently forms the basis for describing the status of the industry provides an overall assessment. In many cases, however, it is inadequate for establishing the benchmarks needed to design programs and monitor performance. Therefore, an immediate priority will be to assemble detailed data on a number of items, such as

- climate and soil capability (to determine land suitability for renovation programs and guide management initiatives)
- the financial position of growers and processors (to use in designing financial assistance programs and industry development strategies)
- the status of orchards—acreage of trees by variety, age, density, etc. (to guide renovation program planning and provide measureables for evaluation)
- the profile of growers—age, education and training requirements and preferences, and other related data (to serve as input for the renovation program, the development of a land management policy, and preparation of new grower entry initiatives)
- the availability of nursery stock (to determine how the renovation program is best implemented)
- the research being conducted and the further research required (e.g., into new varieties, post-harvest technology, and cultural practices)
- the markets for tree fruits
- the further opportunities for integrated pest management.